Status Report
April 21, 1995

Sales & Distribution

Recent Activity: Met with planning to discuss Sales and Distribution issues; began discussing sales execution process.

Business Update Meeting

Board Speech.

Review project with new Agency representative.

Discussed possible change in direct delivery with Customer Service; planning a more detailed review of Genesis to understand potential process issues or need to enable Genesis auxiliary modules.

Consumer Research

Issues: Lighter design, cigarette taste acceptability, consumer receptivity (to concept, use, behavioral adaptation), consumer-related product performance (ease of use, comprehension, reliability, durability, consistency).

Recent Activity: Finalized preparations for PMKK 2-day product use study, conducted next week. Objectives are to obtain cigarette and lighter development guidance and marketing direction (user's guide, product messages, names).

PMKK's smoking lifestyle, behavior and attitude segmentation study, conducted among 3,000 Japanese smokers, has provided an excellent bridge from our internal qualitative research to a quantitative understanding of Beta's likely consumers.

Outlined "consumer" research plans under three scenarios: a) conservative--maximizes security through use of internal smoker samples (Sales force, Miller, Kraft, Sanyo) through 3rd quarter 1995; b) "aggressive"--selectively combines external with internal research, accelerating consumer input across time toward launch; c) unrestricted consumer research. Currently being reviewed by Marketing Research.

Summarized internal research conducted over the past 18 months and relevant consumer survey results; drafted text in preparation for May Board presentation.

With R&D Information Resources and Services, reviewed literature on product features driving customer satisfaction (of electronics, hand-held appliances, novel products, new technologies)--publications are primarily methods-oriented as opposed to applicable case studies.

Upcoming Events: PMKK Kumagaya 2-day use study April 25-26.

Tutorial with MISI to review techniques for both short term and longer range consumer research plan.

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Meeting with Marketing and IS on PM's direct mail database.

Finance & Planning

Issues: Product Costs, 1995 & 1996 Budgets, Q&A Preparation, Overall Project Schedule and Milestones, Board Presentations, vendor contracts.

Recent Activity: Completed first draft of Sections I-VI of the Q&A.

The first pass at both the preliminary 1995 Second Revised Budget and a pro forma 1996 Budget has been completed. Now working to refine both prior to broader review and the submission of the Second Revised Budget to Finance.

Draft of a portion of the May Board presentation to be submitted today. Work has begun in preparing visual materials for the presentation.

Modifying the March Board presentation for use by other parties.

Work on commercialization contract with KC has begun following a meeting on April 10.

Working with Finance to update project's ROI analysis for Yen exchange rate and to sensitize for various volume levels.

Upcoming Events: Second Revised and 1996 Budget Reviews on May 10 and 16. Submission of Second Revised to Finance scheduled for May 17.

Revisions to Draft Q&A as needed.

Draft KC commercialization contract expected in mid-May.

KC review meeting on May 1.

Legal & Regulatory

Issues: Regulatory and legal review and research covering marketing, manufacturing, testing, distribution, planning and product liability issues; contractual arrangements; project assets structuring; document drafting and review.

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Status Report - Japan

Product Development

Issues:
Optimize cigarette for relatively humid Japanese environment.
Confirm VM handling capability.

Up coming Event:
PMKK preparing data for cigarette testing in various humidity and temperature.
Meeting with Sam Nelson to take back data for RH and temperature.
VM ejection test and warehouse condition check in Japan with Xuan's attendance.

Marketing

Issues:
Scale of test market shall be discussed based upon input from PMI.

Recent Activity:
Demographics research for test area determination.
Agency briefs are being developed.

Upcoming Events:
Steering committee discussion to determine organization development, distribution development.
Apr research in Japan.

Legal and regulatory

Recent Activity:
Developed Japanese version of "Instruction Manual" and will be translated in English. To be reviewed by legal.

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